

Message Text

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DRAFTED BY TREAS/OMEA/RBANDERSON

APPROVED BY BF/FS/FC/BGERMAN

STATE/EB/IFD/OMA/TMINNIES

STATE/NEA/EGY/GBROWN

STATE/M/FRM/FM/RWITENER

STATE/BF/FS/MJACKSON (INFO)

TREAS/GFO/DACHIODO

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R 291628Z DEC 75

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

AMEMBASSY PARIS

UNCLAS STATE 303582

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: DEPOSITS OF USG LOCAL CURRENCY

REF: (A) CAIRO 8928, (B) CAIRO 12159, (C) STATE 290570,
(D) CAIRO 12896

1. RE REF (D) IN NOTIFYING CHASE BY LETTER ON DECEMBER 12, TREASURY HAD ASSUMED MESSAGE BELOW WOULD BE CABLED IN TIME TO PROVIDE EMBASSY WITH ADVANCE NOTICE OF DECISION SEEK TRANSFER OF FUNDS TO U.S. JOINT VENTURE BANKS AND AUTHORIZING EMBASSY SEEK NECESSARY GOE APPROVALS.

2. TREASURY APPROVED CHASE NATIONAL BANK AS A LIMITED DEPOSITORY ON DEC 12. AS A LIMITED DEPOSITORY USG DEPOSITS WITH CHASE ARE LIMITED TO EGYPTIAN POUNDS.

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3. UPON OBTAINING NECESSARY AUTHORIZATIONS FROM THE GOE AUTHORITIES, EMBASSY AUTHORIZED TO MAKE 10 MILLION POUND

DEPOSIT WITH CHASE BANK, SUBJECT TO SATISFACTORY ARRANGEMENTS ON MATURITIES AND INTEREST RATE (SEE BELOW).

4. THE FOLLOWING COMMENTS ARE PROVIDED TO CLARIFY TREASURY POLICY: (1) WITH RESPECT TO LEGAL DEFINITION

QUESTION RAISED IN REF (A) TREASURY POLICY, UNDER STATUTE 31 USC 473 DEFINES AN AMERICAN FINANCIAL INSTITUTION AS BEING EITHER WHOLLY-OWNED OR PARTIALLY-OWNED. IN COUNTRIES LACKING WHOLLY-OWNED AMERICAN FINANCIAL INSTITUTIONS USE OF PARTIALLY-OWNED AMERICAN INSTITUTIONS IS CONSIDERED CONSISTENT WITH THE STATUTE. (2) WITH RESPECT TO THE INTEREST RATE PAID, GENERALLY, U.S.-OWNED FOREIGN CURRENCIES IN EXCESS OF DISBURSING NEEDS ARE PLACED ON TIME DEPOSIT WITH AN ATTEMPT TO MAXIMIZE THE INTEREST INCOME WITHOUT TYING UP FUNDS REQUIRED FOR EXPENDITURES. INTEREST RATES RECEIVED ARE THOSE WHICH THE BANKS MAY LAWFULLY PAY WITH MATURITIES SELECTED BASED ON USG NEEDS.

5. IN REGARD TO USG DEPOSITS IN EGYPT, EMBASSY SHOULD INSURE THAT THE HIGHEST LEGAL INTEREST RATE AVAILABLE IS EARNED ON FUNDS TO BE PLACED WITH CHASE NATIONAL. IN VIEW OF CENTRAL BANKS INSISTENCE THAT NO MORE THAN ONE-HALF PERCENT CAN BE PAID ON SUCH DEPOSITS, REGARDLESS OF WHICH BANK HOLDS THEM (AS STATED IN REF A), IT WOULD APPEAR THAT THIS INTEREST RATE WOULD APPLY. HOWEVER, IF EMBASSY CAN DETERMINE THAT BANKS CAN PAY MORE THAN ONE-HALF PERCENT, TREASURY SHOULD BE NOTIFIED. ROBINSON

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